

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: AB 2700 Creditable Compensation

ITEM NUMBER: 9

ATTACHMENT(S):

ACTION: _____

DATE OF MEETING: June 6, 2002

INFORMATION: X

PRESENTER(S): Diane Samuels/Peter Haley

Background

Chapter 1021, Statutes of 2000 (AB 2700) expands the definition of creditable compensation to the Defined Benefit (DB) Program and makes several other key enhancements to the Defined Benefit Supplement (DBS) Program. The legislation included two dates on which the Education Code section changes could become effective, July 1, 2002 and July 1, 2003, and specified the effective date would be July 1, 2002, if the revenue cost-of-living adjustment computed by the Superintendent of Public Instruction for the 2001-02 fiscal year was greater than or equal to 3.5 percent. At the time of measurement some months ago, this revenue limit was met and the effective date was established as July 1, 2002.

The legislation expands the types of compensation that is creditable to CalSTRS. Effective July 1, 2002, it will include compensation for:

- Summer school and intersession service
- Additional duties (performed in addition to the member's full-time or part-time service)
- Overtime
- Many bonuses and allowances

Full-time members performing additional service will receive increased DBS benefits. CalSTRS will credit the member and employer contributions on the creditable compensation related to the service in excess of one year to the member's DBS account at the end of the school year. Part-time members who perform additional service such as summer school will also benefit from the creditable compensation changes by receiving additional service credit.

CalSTRS Implementation Efforts

CalSTRS established an internal team for implementing the AB 2700 legislation in May 2001. This team analyzed the legislation, prepared procedural recommendations, developed employer communications, and defined START business requirements. The START changes are divided into two major phases and Phase I is currently being developed and tested. We anticipate completing our implementation efforts including Phase II by June 2003.

CalSTRS has also partnered with the employer community to implement the legislation. Last summer, CalSTRS held five regional employer forums to solicit input from the employers on the legislation. On January 30, 2002, the County Offices of Education and Districts were notified of the reporting changes needed to payroll systems to implement the legislation. Throughout the process, a sub team of the Employer Advisory Committee has been instrumental in assisting the development of employer communications. This spring, CalSTRS staff trained about 1,250 employer staff on the creditable compensation changes at the two Employer Institutes and supplemental sessions, the California Association of Business Officials (CASBO) Annual Conference, and regional meetings at the County Offices of Education. Further training will occur as needed.

CalSTRS has also taken several initiatives to notify our members of the creditable compensation changes. In the spring, the CalSTRS bulletin included lengthy article regard the changes called “Extra Service Now Counts.” The CalSTRS web page also includes frequently asked questions (FAQs) on AB 2700. In April 2002, CalSTRS also provided a one-page AB 2700 overview for employers to distribute to the members through their payroll process. And, the June retirement allowance will include a stuffer on summer school earnings counting towards the post-retirement earnings limit.

At the Board Meeting, a presentation on the key creditable compensation changes, key milestones, and remaining implementation activities will be conducted.